

Message Text

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EXDIS

E.O. 11652:GDS

TAGS: MARR, MASS, KS, US

SUBJECT: SALE OF F-4D AIRCRAFT TO ROK

JOINT STATE/DEFENSE MESSAGE

1. THE USG HAS DECIDED TO AGREE TO ROKG REQUEST TO SELL THEM THE BAILED F-4D SQUADRON ON AN FMS CASH BASIS. IN INFORMING THE ROKG OF THIS DECISION YOU SHOULD MAKE IT CLEAR THAT THIS HAS BEEN A DIFFICULT DECISION FOR US FOR THE FOLLOWING REASONS:

A. THIS DECISION WILL HAVE ADVERSE EFFECT ON USAF ASSETS. THE USAF ALREADY HAS A DEFICIT OF OVER 100 AIRCRAFT OF THIS TYPE AND THIS SALE WILL ADD TO THIS ALREADY SERIOUS SITUATION.

B. DOMESTICALLY, WE WILL PROBABLY BE UNDER CONGRESSIONAL PRESSURE FOR SELLING THESE PLANE WHEN USAF IS ALREADY SHORT

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OF FIGHTER AIRCRAFT- HOWEVER, USG DECISION TO SELL BAILED

SQUADRON OF 18 F-4D AIRCRAFT HAS BEEN MADE BECAUSE OF OUR DESIRE TO HELP ROKG TO IMPROVE KOREAN DEFENSE CAPABILITIES AND BECAUSE OF INCREASING MAP STRINGENCIES. FYI. WE INTEND TO CHARGE THE \$43.2 MILLION FMS SALE AGAINST THE MOD PLAN \$1.25 BILLION NOA CEILING. END FYI.

2. BELIEVE THE ROKG SHOULD ALSO RECOGNIZE THAT THEY COULD NOT OBTAIN THE EQUIVALENT AIR DEFENSE CAPABILITY WITHIN THE

NEAR TERM WHICH THE F-4D SQUADRON PROVIDES BECAUSE DELIVERY LEAD TIMES FOR ADVANCED AIRCRAFT ARE AT LEAST TWO TO THREE YEARS. FURTHER, ANY SIMILAR CAPABILITY (I.E., TO F-4D'S) ACQUIRED AT TODAY'S PRICES WOULD COST MORE THAN TWICE THE PROPOSED PURCHASE PRICE (I.E., F-4E'S EXCLUDING AGE AND SPARES). WE PROPOSE TO OFFER THE F-4D'S TO ROKG AT A COST OF \$2.4 MILLION EACH (EXCLUDING AGE AND SPARES). THIS PRICE IS BASED ON FOLLOWING:

A. EACH REPLACEMENT F-4E AIRCRAFT WHOSE EXPECTED LIFE IS 18 YEARS COSTS THE USAF \$5.3 MILLION (EXCLUDING AGE AND SPARES). THE LIFE SPAN OF THE F-4D IS ALSO ESTIMATED TO BE 18 YEARS AND THUS THE BAILED AIRCRAFT COULD BE EXPECTED TO BE SUPPORTED AND USED FOR AN ADDITIONAL NINE YEARS.

B. THE BAILMENT MOU PLACES REPLACEMENT COSTS AT \$1.7 MILLION. THAT COST CAN STILL BE CONSIDERED VALID SINCE INFLATION COULD OFFSET DEPRECIATION SINCE THE MOU WENT INTO EFFECT. HOWEVER, THE USAF HAS SPENT \$700,000 PER AIRCRAFT IN CLASS IV AND V MODIFICATIONS IN ORDER TO KEEP THE AIRCRAFT UP TO USAF STANDARDS. AS NOTED ABOVE, SPARES AND AGE ARE NOT INCLUDED IN THE \$2.4 MILLION PRICE AND ACQUISITION OF THOSE ITEMS COVERED BY THE BAILMENT WILL HAVE TO BE NEGOTIATED SEPARATELY. WE CONSIDER THE \$2.4 MILLION PRICE TO BE FIRM.

3. FOR ITS PART WE WOULD EXPECT THE ROKG TO VIEW SYMPATHETICALLY THE PROBLEM ASSOCIATED WITH THE RETURN OF THE 36 F-5A'S AND ASSOCIATED AGE AND SPARES. THE FY 75 VIETNAM AID PROGRAM IS IN DIFFICULT STRAITS AND WE MUST SEEK ALL LEGITIMATE MEANS TO MAXIMIZE THE EFFECTIVE LEVEL
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OF AID. ASSUMPTION BY THE ROKG OF RESPONSIBILITY FOR THE COSTS ASSOCIATED WITH THE REHABILITATION AND RETURN OF THE F-5A'S AND THE REPLACEMENT OF ASSOCIATED AGE AND SPARES APPEARS TO BE A REASONABLE CONCESSION ON THEIR PART IN VIEW OF OUR DECISION ON THE F-4D'S.

4. SHOULD ROKG EXPRESS INTEREST IN PURCHASE OF F-4E'S (IN ADDITION TO PURCHASE OF BAILED SQUADRON) YOU SHOULD

INFORM THEM THAT THIS REQUEST IS UNDER STUDY.

5. WE LEAVE TO EMBASSY/COMUSK DISCRETION HOW AND AT WHAT LEVEL TO INFORM ROKG OF FOREGOING USG DECISION.

6. AFTER NEGOTIATIONS HAVE BEEN CONSUMMATED, WE ANTICIPATE PROVIDING A LETTER FROM DEPSECDEF CLEMENTS FOR DELIVERY TO MND SUH RE THIS SALE. BROWN

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